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“Understanding Personal Lines”

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“Understanding Personal Lines”

Self-Study Examination *50 Questions*

Instructions: This examination consists of 50 questions in multiple choice format. Four possible answers have been presented for each question. On your answer sheet indicate the best answer to each question. There is no penalty for guessing incorrectly.

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QUESTIONS 1-6 PERTAIN TO SECTION I

- 1) Which of the following personal liability activities is not insurable?
 - A) The insured haphazardly shovels his sidewalk after a snowstorm and a passerby falls and is injured.
 - B) The insured unintentionally drives a golf ball into the back of the head of a fellow golfer, injuring her.
 - C) The insured causes a barroom brawl and punches another patron in the nose, breaking it.
 - D) The insured carelessly drops a banana peel on her kitchen floor causing a guest to slip and fall.

- 2) The insured burns leaves curbside on a windy day. The wind carries a lit ember to a neighbor's house, starting it afire. This scenario illustrates which of the following liability concepts?
 - A) Direct consequences
 - B) Doubtful proximate cause
 - C) Intervening cause
 - D) Intervening cause which is foreseeable

- 3) Which of the following statements are conditions which must be present to establish a res ipsa loquitur situation?
 - I) The cause of the injury must have been within the exclusive control of the defendant.
 - II) The injured party can be negligent in their own injury to a small degree.
 - III) The incident taking place cannot involve negligence.
 - A) I only
 - B) I and II only
 - C) III only
 - D) I and III only

- 4) The most accurate statement, below, dealing with damages is:
 - A) Punitive damages are awarded in the majority of negligence cases.
 - B) General damages are subjective in nature and this can lead to the award of large sums of money which are sometimes not in proportion to actual injuries.
 - C) Special damages are difficult to calculate because not all expenses related to the injury can be determined
 - D) Because of the collateral source rule, it is easily possible for a negligent defendant to avoid paying a judgment

- 5) The landowner owes the greatest duty, or standard of care, to which of the following parties:
 - A) Children
 - B) Trespassers
 - C) Invitees
 - D) Licensees

- 6) When a defendant intentionally injures a plaintiff, any large award by a court will likely lead to which of these actions by the defendant?
 - A) The discharge of the debt in bankruptcy court.
 - B) The payment of the award through insurance, assuming the defendant owned a sufficient amount of coverage.
 - C) The cooperation of the defendant in the liquidation of all assets.
 - D) Payments being made to the plaintiff for the rest of the defendant's life despite any bankruptcy filing

QUESTIONS 7-14 PERTAIN TO SECTION II

7) The Comprehensive Personal Liability policy protects the insured from which of the following exposures?

- A) Business pursuits
- B) Work related injuries to domestic workers related lawsuits
- C) Automobile related lawsuits
- D) A cashier's injury at the insured owned grocery store.

8) All of the following activities are excluded from Section E coverage of the Comprehensive Personal Liability policy, except:

- A) Purposefully throwing a rock at the next door neighbor, causing him brain damage.
- B) The insured, a surgeon, accidentally botches an operation.
- C) The insured's twelve year-old son kicks in the neighbor's picture window while cleaning the gutters of the home for day.
- D) The insured leases his basement to a woman who operates a beauty salon, which serves hundreds of customers at the location per year.

9) Section F coverage of the Comprehensive Personal Liability policy will cover all of the following exposures, except:

- A) Activities which are the fault of the insured.
- B) Injury caused by a pet owned by the insured.
- C) A visitor who became injured entirely by their own fault and through no fault of the insured.
- D) Injury caused by nuclear contamination

10) Which of the following statements about Claim Expense under Additional Charges in Coverage F is/are true?

- I) Lost earnings are reimbursed up to \$50.00 per day.
 - II) Interest payments on legal awards are not covered.
 - III) All covered Claim Expenses are paid supplemental to Coverage E limits.
- A) I only
 - B) I and III only
 - C) II and III only
 - D) I, II and III

11) According to the Damage-to-the-Property -of Others clause, the situation listed below which is most likely to be covered by the insurer is:

- A) the 16 year-old son of the insured hits a baseball into a window, but the window is not broken.
- B) the 12 year-old daughter of the insured purposefully throws a rock through the neighbor's window, breaking it and causing \$325.00 in damage.
- C) The insured, who operates a small fireworks factory in his basement, has an accident causing broken windows to a neighbor's house.
- D) The insured's 10 year-old son accidentally breaks a window in the home of the insured.

12) All of the following are coverages under the personal injury liability endorsement, except:

- A) defamation of character
- B) false imprisonment
- C) invading the privacy of another
- D) liability assumed under a contract

13) A liability umbrella will do all of the following, except:

- A) provide excess coverage amounts on both general liability and automobile liability claims.
- B) partially cover the intentional infliction of injury by the insured onto another.
- C) offer broader coverage than do the basic contracts of underlying coverage.
- D) provide a great deal of coverage at a very modest premium.

14) All of the following are optional endorsements, except

- A) Coverage E
- B) Premises rented to others
- C) Watercraft and snowmobile
- D) Umbrella coverage

QUESTIONS 15-22 PERTAIN TO SECTION III

15) Driver A causes an accident with Driver B. Driver A leaves the scene without providing information as to his identity. Driver B will collect from his insurer under which of the following areas:

- A) Auto Liability
- B) Uninsured Motorist
- C) Physical Damage Coverage
- D) Medical Payment

16) Mr. Frown owns Smiley Face International Corporation. Mr. Frown asks Miss Dimple, his secretary, to mail a letter for the company on her way home. Miss Dimple is on her way to the mail box in her personal auto when she accidentally runs down a group of men in a crosswalk. Smiley Face International Corporation

- A) will not be held accountable.
- B) will be responsible because of the family purpose doctrine.
- C) will be responsible because of Res Ipsa Loquitur.
- D) will be responsible because of vicarious liability.

17) The main purpose of a Guest Hazard Statute is to

- A) protect an insured from lawsuits brought from passengers injured while riding in their automobile.
- B) discourage an insured from offering a ride to a friend.
- C) protect insurance companies from collusion between an insured & friend.
- D) protect the guest as an automobile passenger when they are injured due to the fault of negligent driving.

18) Which of the following statements pertaining to the high risk driver is/are accurate?

- I) The high risk driver can be assigned to an insurance carrier when they are rejected by one, two or three carriers, within 60 days.
 - II) Once they are assigned to a carrier, the high risk driver can only be canceled because of nonpayment of premium, within the first three years.
 - III) Good drivers effectively are subsidizing the insurance rates of the high risk driver.
- A) I only
 - B) I and II only
 - C) I and III only
 - D) I, II and III

19) Pure No-Fault means

- A) the tort system is partially replaced by only allowing lawsuits for the recovery of actual out-of-pocket injuries.
- B) no one is at fault and each party to the accident pays a proportional share of the damages to every other party involved in the accident.
- C) each participant in an accident has their insurance company pay the damages of the other driver.
- D) The tort system could not be utilized for any injuries resulting from automobile accidents and all parties are made from their own carrier.

20) If an automobile policy has no youthful drivers and the auto is used only for pleasure, then the cost of premium will

- A) be rated up 200%
- B) be base premium
- C) be the same charged an elderly farmer
- D) reduced by 50% from the base premium

21) Which of the following drivers would likely pay the highest premium, all other factors being even?

- A) a 16 year-old male, in the top 25% of his class, who has an excellent driver record and is the principal driver on a high performance vehicle.
- B) a 17 year-old part time male driver who was the driver of a standard family vehicle that was struck in the rear.
- C) A 17 year-old female high school honor student who is not the principal driver on the family auto.
- D) an elderly farmer who has four negative points against his current driving record.

22) Automobile insurance was designed to protect the insured, when it was first introduced into the marketplace. Today, the focus of buying automobile insurance seems to be

- A) still on the insured because of uninsured motorist coverage.
- B) on making it affordable for high risk drivers.
- C) on marketing it to poor people who own automobiles.
- D) to provide an accident victim with someone to sue.

QUESTIONS 23-30 PERTAIN TO SECTION IV

- 23) The personal auto policy is considered to be the most complicated insurance contract because
- A) the legal wording does not follow the recent trend of simpler insurance contract language.
 - B) of all the possible parties who can be considered insured under the policy.
 - C) loss to property, injury and liability are all covered under a single contract.
 - D) all package policies tend to be comprehensive.
- 24) An auto policy provides for split limits of 50/100/50. The insured is liable for the following injuries: Victim A suffered \$ 30,000 of personal injury, Victim B suffered \$25,000 of personal injury and Victim C's claims totaled \$60,000. The insured will be personally liable for which of the following amounts?
- A) \$ 5,000
 - B) \$ 10,000
 - C) \$ 15,000
 - D) \$ 0
- 25) Auto policy coverage applies to which of the following automobiles?
- I) An owned auto
 - II) A nonowned auto
 - III) A borrowed auto
- A) I only
 - B) I and II only
 - C) I, II and III
 - D) Neither I, II nor III
- 26) All of the following are exclusions to the Personal Auto Policy, except:
- A) A maid working in the home of the insured who is not covered under state workers compensation laws.
 - B) An automobile used by the owner to take people to the airport in exchange for a fee.
 - C) If the auto is used to maliciously injure another party.
 - D) an auto used exclusively for business purposes.

- 27) Medical Payments coverage of the Personal Auto Policy extends to
- A) any party other than the insured.
 - B) any party other than the insured and family members.
 - C) to the insured and family members
 - D) any party who was not "occupying" an auto at the time of injury.
- 28) Which of the following conditions or situations is an exclusion to uninsured motorist coverage:
- A) the insured is covered by his own policy when an uninsured driver causes him injury.
 - B) a family member of the insured is covered by the policy of the insured when an uninsured driver causes him injury.
 - C) the injured insured arranges a settlement with the uninsured and negligent party without receiving the insurance company's permission to do so.
 - D) the insured is injured by a hit and run vehicle.
- 29) When an insured is covered to some extent by their own policy, but injury was the fault of another driver who carried auto insurance, the likely reason for the payment is due to which of the following?
- A) Uninsured Motorist Coverage
 - B) Underinsured Motorist coverage
 - C) Comprehensive Coverage
 - D) Physical Damage Coverage
- 30) Other Than Collision Coverage is provided for all of the following, except:
- A) damage done by a hit and run vehicle
 - B) damage done by earthquake
 - C) damage done by flood
 - D) damage done due contact with a deer

QUESTIONS 31-36 PERTAIN TO SECTION V

- 31) Dwelling coverage is available in some amount for all of the following homeowner forms, except:
- A) H0-2
 - B) H0-3
 - C) H0-4
 - D) H0-6

- 32) Which of the following statements about "replacement cost" under Coverages A and B is not accurate?
- A) Replacement cost almost always equals market value of real property.
 - B) Replacement cost means obtaining the actual dollars needed to replace destroyed or damaged property
 - C) Personal property is not covered under a replacement cost basis
 - D) In order to qualify for replacement cost coverage, the insured is required to maintain no less 80% insurance on the subject property relative to the cost of replacing the building.
- 33) Which of the following represents an accurate personal property normal limit (minimum) under Coverage C?
- A) A cemetery headstone @ \$2,000. B) A boat @ \$1,000.
 - C) Business property used away from the premises @ \$500.
 - D) Cash at \$1,000
- 34) An insured owns an H0-8 contract with a dwelling coverage amount of \$140,000. Landscape coverage will equal to which of the following amounts?
- A) \$14,000, but no more than \$250 per plant.
 - B) \$14,000, but no more than \$500 per plant.
 - C) \$ 7,000, but no more than \$250 per plant.
 - D) \$ 7,000, but no more than \$500 per plant.
- 35) In the event of loss, the insured would be required to perform all of the following duties, except:
- A) provide immediate notice to the company.
 - B) enter a burning building to protect personal property from further loss.
 - C) help determine the loss by separating property which is ruined from property which is undamaged.
 - D) inventory the loss which has occurred
- 36) Which of the following statement pertaining to the cancellation of a homeowners contract is/are true?
- I) When the insured cancels, at least 10 days' notice must be given to the company.
 - II) State law notwithstanding, the insured who cancels is always entitled to a pro rate refund.
 - III) The insurance company can cancel a contract on an immediate basis via telegram to the first named insured as it appears in the policy declarations.
- A) I only
 - B) II only
 - C) III only
 - D) Neither I, II nor III
- QUESTIONS 37-41 PERTAIN TO SECTION VI**
- 37) The homeowner contract provision dealing with theft requires
- A) the company to pay even if the insured committed the actual theft of their own property.
 - B) the same coverage regardless of the homeowner form.
 - C) that even attempted theft which results in loss is covered, unless otherwise excluded.
 - D) the insured to prove a loss was actually caused by theft.
- 38) An H0-3 Form will cover, some or all, of which of the following causes of loss?
- A) The insured drives their vehicle into the dwelling, causing extensive damage.
 - B) The insured's large dog destroys the walls of the master bedroom.
 - C) Termites that cause extensive damage to the wooden structural support of the dwelling.
 - D) Settling of the foundation of the house which cracks the concrete basement floor.
- 39) Concurrent causation generally means
- A) when two or more perils happen simultaneously, coverage for any resulting loss is excluded.
 - B) HO-I and H0-2 contracts exclude unusual weather related loses.
 - C) direct loss by weather is a special exclusion under an H0-3.
 - D) None of the above

40) Under a Homeowners Form HO-15, all of the following statements are accurate, except:

- A) it is added to a Form HO-3 to provide named perils coverage to contents.
- B) it replaces the HO-5 Form from earlier contract language.
- C) a marble statue would be covered for breakage if loss was caused by a specifically named peril.
- D) theft by the insured is covered.

41) Dwelling forms and homeowners forms are similar in nature, except dwelling forms do not cover

- A) theft
- B) personal liability
- C) money
- D) all of the above

QUESTIONS 42-50 PERTAIN TO SECTION VII

42) The Dwelling coverages called basic and broad form have all of the following coverage in common except

- A) lightning
- B) fire
- C) landscape
- D) internal explosion

43) An All Risk policy

- A) excludes loss caused by deterioration.
- B) is the same as a named peril contract.
- C) is not open peril coverage.
- D) covers contents on a all risk basis.

44) Which of the following statements concerning Mobile Home insurance is/are accurate?

- I) Coverage is always written on an actual cash value basis because mobile homes are looked upon as a depreciable asset.
- II) To obtain the best possible coverage, the mobile home must be at least 10 feet by 40 feet and be designed for year around living.
- III) Personal property coverage is less than what is found in a standard homeowner policy.

- A) I and II only
- B) I only
- C) III only
- D) II and III only

45) All of the following statements about flood insurance are true, except:

- A) flood insurance can be purchased from private insurance companies.
- B) subsidized coverage on a single family dwelling in the emergency program is \$35,000
- C) if property is purchased in a special flood hazard area, purchase of flood insurance is optional.
- D) the nonresidential contents limit is \$100,000.

46) All of the following contents are excluded under a residential flood insurance policy, except:

- A) tenant improvements up to 10% of the contents coverage amount.
- B) business property
- C) valuable papers
- D) fish

47) The Fine Arts floater covers which of the following causes of loss?

- A) Damage done by deterioration.
- B) Loss caused by rats.
- C) Loss directly caused by earthquake.
- D) Damage done during a repair or restoration process.

48) Section II of a Watercraft policy excludes all of the following losses except:

- A) when the insured runs a boat over a swimmer with the intent of injuring the swimmer.
- B) liability caused while the boat owner is operating a boat repair shop.
- C) liability coverage to a friend who took the boat onto the water without asking the owner's permission to do so.
- D) a family member of the named insured who accidentally runs the boat into a water skier.

49) The best manner in which to purchase coverage on a dwelling is to base the coverage amount on

- A) what the insurance agent advises
- B) replacement cost
- C) on market value
- D) on outstanding principal loan balance

50) Landis Lord purchases a piece of real estate and purchases real estate title insurance. Four years later, another party comes forward with a better claim to title than Mr. Lord. Because of his title insurance ownership, Mr. Lord can expect which of the following outcomes?

- A) The insurance will pay the better title holder the required sum of money, thus assuring that Mr. Lord will retain the land and its ownership.
- B) Both parties to the dispute have a valid claim to ownership and therefore a court ordered sale of the property will result in the proceeds being split based on claim ownership.
- C) The Torrens method will award unencumbered ownership to Mr. Lord because more than three years passed since his purchase of the property.
- D) The better titleholder will be awarded the real property and Mr. Lord will be made whole again by the title company with a cash settlement.